

INTEROFFICE MEMORANDUM

To: Dan Henderson
CC: Vic Evans , Janet Wilkerson
From: Ron Mullikin
Date: March 27, 1998
Subject: Opinions on the Poultry Litter Issues

Dan,

In the past few months I have been exposed to a wealth of information and individuals in the poultry industry. I would like to share with you some of my views of where we are, and where we may be headed, on the poultry litter issue.

I personally have no opinion on whether or not the intergrator or the grower owns the litter. I do feel, without any doubt, that as time passes, we the intergrator will be found to be liable for it and the affect it has on our environment. This position will be driven by both environmental groups and the EPA.

Increases in regulation , by a number of federal, state and local agencies, will continually increase on the poultry producers. Unfortunately, too many of these regulations are being driven by political ambition. We have VP Gore, leading the fight to clean the nations waterways, and at the same time lead the fight to become our next president. Knowing full well, no one will be able to fight his environmental record. We have the mayor of Tulsa, who would like to be the Gov. of OK. Politics will continue to drive this issue.

We are also faced with a lack of science to help us understand where we are, and where we need to go. Agronomists can't agree on the movement of phosphate, the water solubility of the P in the litter, and means of making P more efficient in our feeds. How much P in our soils is too much? Agencies can't agree on max. soil levels.

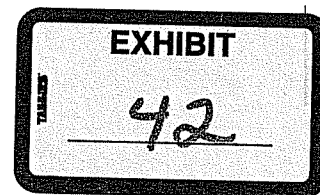
FROM THE DESK OF...

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PFIRWP-064066



And if they could agree, how would they measure it? In our few check samples, we demonstrated how hard it is to get a good accurate sample.

Dan, I feel the direction Peterson Farms and all intergators would be best served to focus its resources towards, would be alternative uses. Things such as using litter as bedding, feed, fertilizer, and fuel are just a few of the uses I've found some information on. Each of these uses has it's own set of benefits and short-comings. But they all address the environmental need to stop applying litter to our local pasture lands. I have attached a Pro-forma on a pelletizing plant in Purdy, MO., that is currently for sale. (I made it very clear we had no interest in purchasing that plant!)

By finding an alternative use, we have helped our growers, helped our environment, and greatly reduced our companies potential liabilities.

A handwritten signature, likely "Dan", written in dark ink. The signature is stylized, with a long, sweeping horizontal stroke that curves upwards at the end, and a few smaller, less distinct strokes below it.

PFIRWP-064067

1 case. And by -- I should say more formally it's the case that
2 was brought by the City of Tulsa and the TUMA against a number
3 of poultry companies and an Arkansas municipality over water
4 quality problems in the Eucha-Spavinaw watershed, which is
5 Tulsa's water supply.

6 Q. Do you know whether there was ever a moratorium on land
7 application leading up to or subsequent to this order?

8 A. Subsequent to this order. What the order did was require
9 that land application in that watershed not occur until there
10 were new plans written based on a newly adopted phosphorus
11 index. And so from the summer of 2003 when that was
12 implemented, well into and through much of the next year, there
13 was a moratorium on land application in that watershed.

14 Q. To your knowledge, were any growers or farmers in that
15 case?

16 A. I don't believe that there was a single grower or a single
17 farmer in that case.

18 Q. So the named defendants were the companies?

19 A. The only -- the named defendants were the companies. The
20 order bound them and the result was a moratorium, an effective
21 moratorium, and then an effective change in how it is that
22 litter was managed in that watershed.

23 Q. And in your opinion, will the risks associated with these
24 bacterial levels be substantially reduced if the injunction is
25 granted?